



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 2/9/2005

**GAIN Report Number:** BK5002

## Bosnia-Herzegovina

### Livestock and Products

### Market Update

### 2005

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**Report Highlights:**

Bosnia and Herzegovina (BiH) suffers a deficit of raw meat for processing and relies on imports for an estimated 80 percent of its production. The BiH Government recently applied duty free import quotas on beef, pork, and chicken for processing to allow the meat industry to have access to cheaper supplies of unprocessed meat. BiH also imports an estimated 30 to 40 percent of its processed meat consumption. While official statistics are unreliable, total annual imports of meat and meat products are estimated at around US\$ 135 million. The total annual consumption of meat and meat products is estimated at around 135,000 MT. BiH is unable to export most animal products because of inadequate veterinary and certification systems.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Vienna [AU1]  
[BK]

## Overview

### Cattle

Bosnia and Herzegovina<sup>1</sup> suffers a deficit in beef and veal production. It is estimated that only 38% of local market demand for meat products is satisfied by domestic production. Total pre-war consumption of various meats and meat products was 42 kg per capita, and it is estimated that total per capita consumption is currently at around 35 kg, of which 14 kg is beef. Total per capita consumption of meat is expected to grow to 40 kg (16 kg of beef) by 2006. Current total consumption of meat and products is around 135,000 MT, and total consumption of beef is estimated at around 55,000 MT. Estimated total number of cattle is around 450,000 head, representing about 50% of the pre-war production (note: there are no reliable official statistics for the number of animals or meat production, the above are estimates).

According to slaughterhouses, butchers, and processors in the USAID LAMP Study in September 2004, the beef and veal production deficit is due to several factors, including: the meat processing industry's inability to improve their raw material base, the lack of proper incentives for efficient cattle fattening, and the lack of a genetic improvement program that would improve the overall quality of cattle population. Also lacking are the necessary veterinarian care and genetic improvements while endemic animal diseases and continued preference for traditional breeds (that have weaker genetic characteristics) are resulting in constricted production. Subsidized and illegal beef imports have worsened the situation as well. Slaughterhouses, processors, and producers report that their most serious problem is the price volatility of meat. This volatility disrupts cash flow and makes it very difficult to forecast or set prices. Smuggling, unpredictable enforcement of laws, and fluctuating policy all contribute to this volatility.

Domestic production costs in bull fattening amount to 3.5 KM/kg (BiH currency is the Convertible Mark, KM; US\$1 = KM 1.4974 on 2/3/05) live weight compared with an import price of 2.0 KM/kg plus duty (2.7–2.8 KM/kg). However, BiH has signed free trade agreements with most countries in Central and Eastern Europe, and for these countries (Croatia, Serbia and Montenegro, Macedonia, Moldova, Bulgaria, Turkey and Romania) the duties are almost abolished. Also, in July 2004, BiH Government applied duty free import quotas for beef, pork, and chicken for processing to allow the meat industry to have access to cheaper supplies of unprocessed meat, as well as to stimulate domestic production of meat. The duty free quotas only apply if meat processors have previously purchased locally produced meat.

### Swine

The number of pigs has declined by about 50 percent from pre-war levels to an estimated 330,000 count. The non-Muslim populations of BiH mostly consume pork (Catholics and Orthodox represented 51.4% of the total population in 2000). Before the war, per capita pork consumption was 7.5 kg with total consumption at 26,000 MT (the last official survey was from 1990). Demand for pork products has remained relatively constant. However, only half of the demand is met by domestic production with imports filling the gap. The sector is faced with problems of inadequate facilities for swine production, lack of sufficient operating funds for producers, poor access to farm credit, resistance to new pig breeds and methods of production, lack of proper training, and lack of high quality swine semen, veterinarian

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<sup>1</sup> Under the 1995 Dayton Peace Agreement, Bosnia Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). Each Entity has its own Ministry of Agriculture. Understanding this dual governmental structure is important to doing business in the country. However, foreign trade is responsibility of the state level Ministry of Foreign Trade and Economic Relations.

support, and methods for artificial insemination. Owing to poor nutrition, the domestic swine population is insufficient to supply local slaughtering facilities. Today, there are about 30 medium to large slaughterhouses, plus a large number of smaller enterprises. Some of these slaughterhouses operate according to high-quality standards but not at full capacity— most probably because some of the smaller slaughterhouses are not as tightly supervised, which enables them to sell at lower costs and often lower quality. Occurrences of trichinosis are regular, as well as the classical swine fever occurrence.

## Sheep

The number of sheep in BiH in 1991 was estimated to be 1,317,000 animals, of which 971,000 were breeding ewes. This number decreased during the 1992-1995 war by more than 50%. However, the sector is slowly recovering, and in 2002 total sheep numbered at 820,712 head (614,608 breeding ewes) according to the USAID LAMP study September 2004. The dominant sheep breed is the local Pramenka breed used for production of meat, milk and wool, with modest production characteristics, but very suitable for local breeding conditions. Resistance to new types and methods of rearing, poor animal nutrition especially in winter, low genetic potential of domestic sheep, and endemic animal diseases characterizes the sector. There are regular outbreaks of Q-fever and Brucellosis because of insufficient prevention and control measures carried out by the veterinary services. Nomadic systems of breeding make easier for diseases to spread from animals to animals and to humans as well. Although the sector has significantly recovered after the war losses, it is expected that sheep production in BiH will be stagnate or even decline because of constant decrease in the rural population that traditionally breed sheep in hilly and mountainous areas. Also, declines will occur due to low levels of animal performance and low profitability, and constant outbreaks of diseases that cause significant economic losses for farmers.

On the marketing side, there is constant demand for lamb and cheese throughout the year and sales increase during Muslim religious holidays (Kurban Bajram). Young lambs that weight 20 kg are slaughtered and roasted whole on a spit. It's a local specialty and consumers prefer the young meat. Current consumption of mutton and lamb is estimated at 2 kg/per capita. The annual production of meat is reported to be around 7,200 MT (milk production around 7,000 MT). Significant quantities of meat are being consumed on farm without reaching the market. Annual exports are usually minor, 50 – 150 MT and imports between 150 – 300 MT.

## Processed Meats

Processed meat, particularly dried and smoked meat, has a very long tradition in BiH. The range of products produced and marketed in BiH includes dried and smoked sausages, salami, poultry products, and meat spreads. Most sausage products contain a mix of beef and poultry. The Muslim population in the country prefers pork-free products. There are now three major meat processing facilities in BiH: Lijanovici in Siroki Brijeg, Akova Impex in Sarajevo, and Stanic in Kresevo, each with a daily capacity of about 40 MT, but actually producing at around 80 MT of products monthly because of cheaper imported processed meat products and the inability to export abroad. There are also several smaller packing/processing plants such as Brajlovic in Blazuj and Menprom in Tuzla. A number of small-scale, "backyard" operations also exist, producing dried and smoked meats especially. It is estimated that 30–40% of processed meat in BiH is imported. Official statistics on processed meat products are unavailable.

Estimates show that the processing industry in BiH can be broken down as follows: 50% poultry (95% chicken), 35–40% beef and 10–15% pork. Meat processors and producers are facing many constraints at the moment, such as inability to export to most destinations

because they lack a functioning state-level veterinary certification system (a number of endemic animal disease issues in BiH that have not been dealt with effectively). Furthermore, the Government-mandated standards for product purity do not exist, affecting the market for processed meat in particular. For instance, reputable sausage processors must compete with processors that adulterate their pork with other, lower quality meats. The trend is for reputable companies to concentrate on the market for fresh beef and veal products. In addition, the meat processors in BiH import approximately 80% of their raw materials (frozen, de-boned beef, swine, and poultry). This situation pits producers against processors: producers maintain that domestic production is sufficient for the processing industry's needs, while processors contend that domestic producers are not willing to provide the older, less expensive meat they require. Given producers' strong preference for slaughtering their cattle young as premium-priced "veal," it is understandable that processors look elsewhere for their raw material<sup>s</sup>. Another constraint is that import tariffs are imposed on these raw materials. Also, BiH has signed free trade agreements (FTAs) with Croatia and Serbia–Montenegro that subsidize their meat producers and processors, but export mostly processed products to BiH.

### Market Profiles

Before the war, there were about 200 slaughterhouses in BiH: 120 (60%) were privately owned and 10 (5%) were quite large and government owned. Most processing facilities were destroyed or severely damaged during the war, consequently limiting processing capacity. Today there are about 30 medium- to large-sized slaughterhouses plus a great number of smaller enterprises.

There are also about 20 meat-processing companies in BiH. Several of these have significant capacity, possess modern equipment, and are operating efficiently and profitably. Raw materials are imported because BiH producers do not produce the desired products at the required prices. Domestic raw materials, primarily poultry and swine, are mainly sourced from producers near the processors' facilities. Packaging for processed meat products in BiH is competitive with imports and similar products in Europe. All packaging film is imported (Slovenia, Croatia, Serbia–Montenegro, Hungary), whereas cardboard boxes are sourced domestically.

Several processing companies operate excellent processing facilities and produce to EU standards. These companies are competing effectively with imports and possess the capacity to export when certification is available to them. For most products, the production cycle ranges from one to seven days. Quality management is based on traditional product quality control. Emphasis is given to processing equipment quality, raw material input quality, experienced staff, and obligatory daily inspections by the veterinary inspectors. Large producers are adopting Good Manufacturing Practice (GMP) and HACCP practices.

After manufacturing, processors are finding a market for final meat products through their own retail stores, via truck delivery to small and large grocery stores, and/or through direct sale to large trading centers and wholesale distributors of processed meat products within the country. Truck delivery is organized on a daily basis for fresh meat products; preserved products are delivered as needed. Companies such as Lijanovici, Ovako, Brajlovic, and MIS Stanic have successfully invested in brand building and marketing campaigns in a variety of media: radio, television, billboards, and print advertising. There is little evidence of segmentation and target marketing, however, and distribution appears to be limited mostly to the large retail. Some processors have provided branded refrigerated display units in supermarkets.

## Consumer Preferences

Meat and processed meat products are preferred foods in BiH. However, BiH consumers are highly price sensitive because of the country's continuing poor economic situation. Therefore, the structure of meat consumption has changed, resulting in less demand for expensive beef/veal and lamb, while the consumption of relatively cheap poultry has increased significantly. Consumption of pork is stable, and much higher in the non-Muslim areas of the country (Republika Srpska). Mutton and lamb are consumed by the Muslim and non-Muslim populations of BiH.

As in most parts of Europe, BiH consumers now prefer leaner meat with most of the fat removed. However, this is a recent trend, and the older population continues to prefer meat with higher fat quantities. Consumers buy their meat in butcher shops and green markets more often than in hypermarkets or supermarkets. Meat cuts are typically wrapped in plastic wrap, so that consumers can view the meat's quality. In butcher shops customers can watch the meat being cut before their eyes.

Product quality of the major processors is competitive with imported products. Very popular and produced throughout the country are dried and smoked beef and smoked ham ("Prsut"). These products are produced by a number of small family-owned companies as well as big industries.

## Trade

Annual imports of live animals, meat and meat products to BiH are estimated at around 200 million KM (US\$ 135 million). Officially reported imports by BiH Foreign Trade Chamber, BiH and RS Statistics Institutes in 2003 were KM 195 million or US\$ 130 million. In contrast, it is almost impossible for BiH to export animal products (especially beef) to most markets because of inefficient veterinary and veterinary inspection systems--meaning poor animal health conditions and lack of an accepted certification system within BiH. Countries that export meat and products to BiH are mainly Slovenia, Croatia, Austria, Italy, Poland and Hungary.

Tariffs for live animals are the following:

*Table 1:– Import Tariffs for Live Animals, Bosnia and Herzegovina*

Commodity	Import Tariff
<b>Live Cattle</b>	
<i>0102.10 - Breeding animals</i>	
0102.10.10 - breeding heifers	5%
0102.10.30 - breeding cows	10%
0102.10.30 - other	10%
<i>0102.90 Other Live Cattle</i>	
0102.90.05 - less than 80kg	5%
0102.90.21 - for slaughter, 80 – 160 kg	5% + 0.50 KM/kg
0102.90.29 – other, 80 – 160 kg	10% + 0.50 KM/kg
0102.90.41 – for slaughter, 160 – 300 kg	5% + 0.50 KM/kg
0102.90.49 - for slaughter, 160 – 300 kg	10% + 0.50 KM/kg
0102.90.51 – heifers, for slaughter, more than 300 kg	5% + 0.50 KM/kg
0102.90.59 – other, for slaughter, more than 300 kg	10% + 0.50 KM/kg
All other cattle for slaughter less than 450 kg	10% + 0.50 KM/kg
Breeding sows	0%
All other live pigs	10% + 0.50 KM/kg
Breeding sheep	0%
All other live sheep	10% + 0.50 KM/kg
Breeding goats	0%
All other live goats	10%

For meat, fresh, chilled and frozen, tariffs are 10% + 1.20 KM – 2.50 KM, depending on origin and cuts. For finished meat products, tariffs are 10% + 3.00 KM – 3.50 KM.

The Bosnia and Herzegovina Government has passed an amendment to the Customs Tariff Law that applies duty free import quotas for beef, pork, and chicken for processing on a quarterly basis (BiH Official Gazette #32 dated July 15 2004). The reason for this was to allow the meat industry to have access to cheaper supplies of unprocessed meat, as well as to stimulate domestic production of meat. The quotas only apply if meat processors have previously purchased locally produced meat. The ratio is determined as follows:

- *Pork*: 1 kg of duty free imported pork meat will be allowed for 2 kg of locally purchased meat
- *Beef and chicken meat*: 3 kg of duty free imported meat will be allowed 1 kg of locally purchased meat. Bosnia and Herzegovina imports most meat for processing from Slovenia, Austria, Poland, the Netherlands, Hungary, and Italy.

Table 2. Duty Free Import Tariff Quotas for beef, pork and chicken meat (on quarterly basis)

HS #		Duty Free Tariff Quota (tones)	Regular Import Duty
0202 30 90 00	Beef, frozen, boneless, other	1.273	10% + 1.50 KM/kg
0203 19 15 00	Pork, fresh, chilled and frozen, breasts with bacon and cuts	652	10% + 1.50 KM/kg
0203 22 19 00	Pork, fresh, chilled and frozen, shoulders and cuts	450	10% + 1.20 KM/kg
0207 14 10 00	Poultry meat, cuts, frozen, boneless	2.268	10% + 2.00 KM/kg
0210 11 31 00	Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat, ham and cuts.	80	10% + 2.50 KM/kg
0210 19 81 00	Meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of meat or offal meal, boneless	120	10% + 2.50 KM/kg

### Import Procedures

The State Veterinary Office (SVO) has responsibility over “prior import approvals” for live animal, fresh, chilled and frozen meat, veterinary medicines, eggs for reproduction, semen and inseminated egg cell (forms available from <http://www.vet.gov.ba/>). The SVO also sets health requirements for all animal origin products, which are generally in line with those of the Office of International Epizootics (OIE). The requirements can be obtained directly from the SVO, or from the FAS Sarajevo office (see contact information at end of this report).

Other products, such as preserved meat and milk products, milk powder, ice-cream, cheese, butter, skin, wool, pet food, feed etc. require no import approval or import license if the shipment is accompanied by an international veterinary certificate.

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